NEW MEXICO HUMAN SERVICES DEPARTMENT

P.O. Box 2348
Santa Fe, New Mexico 87504-2348

MEDICAL ASSISTANCE DIVISION

July 25, 2000

Nancy-Ann Min DeParle, Administrator
Health Care Financing Administration
7500 Security Blvd.
Baltimore, MD 21244

ATTN: Family & Children's Health Programs Group
Center for Medicaid and State Operations
Mail Stop – C4-14-16

Dear Ms. DeParle:

New Mexico's application for a Medicaid section 1115 demonstration waiver for cost sharing in the Children's Health Insurance Program was approved in January 1999 as project No. 11-W- 00124/6.

We have amended the cost sharing section to exclude Native American Children from making co-payments for Medicaid covered services. This exclusion was effective July 1, 2000. Enclosed are pages 5, 6, and 7 of New Mexico's 1115 demonstration waiver for the Title XXI State Children's Health Insurance Program.

Please address questions regarding this amendment to Robert Beardsley at (505) 476-6801.

Sincerely,

Robert T. Maruca
Director

RTM:lm

Enclosures

xc: Cindy Mann, HCFA, Baltimore
Cathy Cope, HCFA, Baltimore

Co-payments will be applicable to children in all families between 186%-235%FPL. **The co-payments set forth below mirrors those in Rhode Island's approved 1115 Waiver.** The co-payment schedule is as follows:

- $5. per physician visit
- $5. per visit outpatient services (clinic, therapy)
- $15. per urgent care and emergency room visit
- $25. per inpatient hospital admission
- $15. per outpatient hospital services
- $2. per prescription
- $5. for dental visits
- $5. for missed appointments

Native American children are exempt from making co-payments for Medicaid-covered services.

Prenatal and preventive care will be exempt from the co-payment requirement. In addition, services provided at Indian Health Services facilities, Urban Indian providers, and tribal 638's are also exempt.

Application of the yearly maximum payment of co-payment amounts will not exceed the following standards, based upon FPL income status at the time of initial eligibility determination or redetermination:

- 186%-200% - 3%
- 201%-215% - 4%
- 216%-235% - 5%

The family will be notified at the eligibility determination or redetermination point. Eligibility and co-payment maximum amount, will be calculated for a 12-month period. Eligibility and co-payment amount will not be recalculated for the 12-month period. The co-payment maximum will be applied per calendar year. Families will be responsible to notify the Department when the maximum expenditure has been reached.

Evaluation of Co-Payments. Two hypotheses are made in the Introduction of this document: *"Modest co-payments for the SCHIP population will not impede access to medical care."* and *"Utilization patterns are based upon health status and health status is closely related to economic status."* In order to address these, New Mexico will gather and analyze encounter data from the MMIS for both Title XXI and Title XIX, the State of New Mexico Employees Group Benefits Plan and the School Insurance Authority.

The income level of SCHIP families approximates that of the average New Mexico family whose median annual income for a family of four is $38,143. Employees of the State of New Mexico and

the public education system are a comparable population therefore we would anticipate that utilization patterns of their children may closely resemble those of SCHIP children.

At the end of each waiver year, New Mexico will compare encounter data from the SCHIP population with that of Title XIX children and children covered by both the New Mexico Employees Group Benefits Plans and the School Insurance Authority. We will examine the data from services which have the co-payment requirement under SCHIP and compare to the state health plans for any significant differences in utilization patterns between these plans, as well as comparison with Title XIX data for differences with that population.

Encounter data will be gathered on some services exempt from the SCHIP co-payment requirements, such as immunizations. We will examine whether or not the absence of a co-payment on preventive services appears to affect utilization when compared to those same services, with co-pay requirements, under the state health plans. We will look at data to determine whether the utilization ratio of non-co-pay services to co-pay under Title XXI differs to any extent from those services under title XIX.

The state will develop a survey instrument to be completed by each household when a child becomes eligible for SCHIP. This will establish a baseline of utilization data for this population. The survey will request information on the health background of the child, such as assessment of general health and number of visits to health care providers within the past year, to include physicians, dentists, urgent care and emergency room as well as inpatient admissions. This information will later be used to assist in the evaluation of the encounter data generated under SCHIP.

7. DELIVERY NETWORK

As this represents an expansion of Medicaid only, the delivery network remains the same.

8. ACCESS

Studies have shown that individuals at 185% FPL and above are able to afford cost sharing without sacrificing basic needs and access to care should not be an issue. If the individual has personally invested in his health care, better compliance with medical treatment plans should result. Sharing in the cost of health care can lead one to value his or her insurance more. According to *State Health Watch, Vol. 5 No. 1, January 1998,* Florida's Healthy Kids program has found that with cost sharing, utilization of services rose.

Assuring access to medical care is being addressed through various new outreach strategies in New Mexico. Effective with implementation of SCHIPS, presumptive eligibility will be determined by a variety of designated entities, to include IHS facilities, hospitals, physicians, FQHCs, schools, Head Start programs, pediatric practices, state Child Care Bureau staff, and public health clinics.

Eligibility for SCHIPS is guaranteed for 12 months regardless of changes in income or family circumstances.

1. QUALITY

In accordance with New Mexico's approved 1915(b) Freedom of Choice Managed Care waiver, required assessment and evaluation tools and processes are in place. These same tools and processes will be utilized for Title XXI. The Medical Assistance Division's External Quality Review Organization contractor for the 1915(b) Waiver, IPRO, will conduct the assessment and evaluation.

10. FINANCE

New Mexico's analysis of co-payment impact on the SCHIP population is based on the utilization patterns of children currently enrolled in Medicaid. Departmental contractors are determining the effects of co-payments on capitation rates. Analysis of proposed co-payments by category of service and utilization suggest that the proposed co-payments may result in an approximate 5% reduction in capitation rates. Enrollment phase-in is patterned on past experience with the implementation of other new categories and services. Spreadsheets project co-pay amounts for each type of service for the target SCHIP population. (See attached).

11. SYSTEMS SUPPORT

The system as currently configured will require no alteration. Co-payments will be collected by medical providers. If collected under SALUD!, the managed care organization must make any necessary changes. Identification under fee-for-service will be accomplished through a new system code.

12. IMPLEMENTATION/TIMEFRAMES

Implementation of cost sharing will coincide with that of the SCHIPS program.

13. EVALUATION/REPORTING

Current contracts with Medicaid managed care organizations require that their network of providers report encounter data on a beneficiary-specific basis to them. In turn, the managed care organizations are required to report this information to the State on an annual basis. All of the reports currently obtained for the general New Mexico Medicaid population will be required under SCHIPS.